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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Reforms and Refinements, and
Establish Forward Resource Adequacy
Procurement Obligations.

Rulemaking 21-10-002
(Filed October 7, 2021)

**OPENING COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON
PHASE 1 PROPOSALS AND WORKSHOP REGARDING
CENTRAL PROCUREMENT ENTITY STRUCTURE AND PROCESS
[PUBLIC VERSION –
APPENDIX A CONTAINS CONFIDENTIAL INFORMATION]**

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Dated: January 4, 2022

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OF THE STATE OF CALIFORNIA**

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I. INTRODUCTION

Pursuant to the *Assigned Commissioner’s Scoping Memo and Ruling*, dated December 2, 2021, as amended by the *Email Ruling Granting Motion for Extension of Time, in Part, and Modifying the Phase 1 Schedule*, dated December 10, 2021 (“Email Ruling”), and in accordance with the Rules of Practice and Procedures of the California Public Utilities Commission (“Commission”), Pacific Gas and Electric Company (“PG&E”) hereby provides these opening comments on Phase 1 proposals regarding critical modifications to the central procurement entity (“CPE”) structure and process, submitted by parties on December 13, 2021, and December 23, 2021, as well as the workshop on such proposals facilitated by the Commission’s Energy Division on December 14, 2021.

PG&E continues to advocate for its Phase 1 proposals submitted to the Commission on December 13, 2021, and December 23, 2021. PG&E’s opening comments below address various proposals by the Commission’s Energy Division (“Energy Division”), the California Community Choice Association (“CalCCA”), the California Independent System Operator Corporation (“CAISO”), Southern California Edison Company (“SCE”), the Western Power Trading Forum (“WPTF”), Middle River Power LLC (“MRP”), and the Alliance for Retail Energy Markets (“AReM”).

Each section of PG&E's opening comments below is summarized as follows:

- Section II.A – The Commission should:
 - (1) reject (a) CalCCA's proposed deadline of June 2022 for CPE procurement to be completed and (b) the Energy Division's proposed CPE Commission showing deadline of late July;
 - (2) adopt PG&E's proposed modifications to the CPE resource adequacy ("RA") timeline, including a mid-August deadline for the CPEs to make their showings to the Commission;
 - (3) adopt the Energy Division's proposal to include an additional timeline activity that allows load serving entities ("LSEs") to receive a preliminary update to the system and flexible RA allocations resulting from CPE procurement approximately two weeks following the CPEs' multi-year RA showing (i.e., in late-August of each year); and
 - (4) reject the Energy Division's proposal to eliminate a self-showing commitment deadline;
- Section II.B – The Commission should reject CAISO's proposal for a residual procurement framework and instead adopt PG&E's proposed cost allocation mechanism ("CAM")-based approach for self-showing LSEs. The Commission should also adopt a slightly modified version of SCE's proposal for an LSE that does not self-show or offer local resources to the CPE for a given year to file a justification statement with the LSE's annual RA filing to the Commission explaining why the LSE is self-showing a local resource for system and/or flexible credit but did not either self-show or offer that resource to the CPE;
- Section II.C. – The Commission should reject proposals from WPTF, MRP, and CalCCA for additional CPE public reporting requirements associated with confidential information and instead require stakeholders to use the existing approved and established processes and procedures for non-market participants and reviewing representatives of market participants to review confidential CPE information;
- Section II.D – The Commission should maintain the current schedule for Phase 1 in this proceeding and prepare a report after the 2022 CPE annual compliance report ("ACR") is submitted at the end of 2022 for 2023-2025; and
- Section II.E – The Commission should not adopt AReM's proposed LSE waiver process for system and flexible RA requirements.

II. PG&E'S COMMENTS ON PHASE 1 PROPOSALS

A. The Commission Should Adopt PG&E's Proposed Modifications to the CPE RA Timeline

The Energy Division and CalCCA proposed modifications to the CPE RA timeline with the goal of providing LSEs with a higher level of certainty and additional time to plan for the procurement of RA resources for their system and flexible RA portfolio needs in relation to the results of the CPEs' procurement of local RA resources.¹ To further this goal, the Energy Division proposed accelerating the CPEs' RA showing deadline to the Commission from September to late July of each calendar year,² and CalCCA proposed a deadline of June of each calendar year for the CPEs to complete their procurement activities,³ among other changes.

While PG&E as the CPE recognizes the need to give LSEs additional time between (A) receiving their final allocation of system and flexible RA credits in relation to the CPEs' procurement and (B) their portfolio and procurement decisions, PG&E believes that an asymmetrical compression of the CPEs' procurement timeline in 2022, as proposed by the Energy Division and CalCCA, is untenable and could lead to inefficient and ineffective procurement outcomes. As such, PG&E proposed modifications to the CPEs' RA timeline, including a new mid-August deadline for the CPE to make its showing to the Commission,⁴ with the goal of striking a balance between the time allotted to both CPEs and LSEs to execute procurement activities that includes identifying and clarifying specific activities with prescribed deadlines and moving up the CPE-related timeline

¹ *Administrative Law Judge's Ruling on Energy Division's Phase 1 Proposal*, dated December 13, 2021 ("Energy Division Phase 1 Proposals"), Appendix A, pp. 3-4; *California Community Choice Association's Phase 1 Proposals in Response to the Assigned Commissioner's Scoping Memo and Ruling*, dated December 13, 2021 ("CalCCA Phase 1 Proposals"), pp. 8-12.

² Energy Division Phase 1 Proposals, p. 4 ("Late July: CPE and LSEs that voluntarily committed local resources to the CPE make local RA showing to the Commission (this new deadline requires that CPE procurement be finalized by late-July). Initial YA allocations in July will not include CAM credits for this procurement, however, initial allocations will include CPE procurement done in the prior years.").

³ CalCCA Phase 1 Proposals, p. 11 ("CPE completes all-source solicitations for 2023 and submits updated compliance report documenting the information outlined in section 2, including the MW of resources offered to the CPE, the MW of resources accepted by the CPE, the rationale for the inability to accept any offers that were not accepted, and the amount of procurement the CPE expects to defer to backstop procurement.").

⁴ *New Phase 1 Proposals of Pacific Gas and Electric Company (U 39 E) Regarding Central Procurement Entity Structure and Process*, dated December 23, 2021 ("PG&E New Phase 1 Proposals"), pp. 5-7.

activities. As discussed below, PG&E urges the Commission to adopt the modifications to the CPE RA timeline described in the PG&E New Phase 1 Proposals (and further explained below) as the most equitable and sensible proposal related to this issue.

To begin, PG&E opposes adoption of the timeline proposed by CalCCA with respect to the proposed deadline of June of each calendar year for the CPEs to complete their procurement activities, as this will constrain the CPEs from ensuring efficient and effective procurement. PG&E also opposes the Energy Division's timeline modification to move up the CPEs' RA showing deadline to the Commission to late July of each calendar year; instead, PG&E highlights below the benefits of adopting PG&E's proposed mid-August CPE deadline for showing to the Commission.

Furthermore, while PG&E supports the Energy Division's reasoning for removing the prescribed April – May deadline for LSEs to commit to voluntarily show their self-procured resources to the CPEs,⁵ PG&E believes it is important for the Commission to maintain a deadline for this critical activity.

Finally, PG&E supports the additional timeline activity proposed by the Energy Division to provide preliminary CPE allocations to LSEs following the CPEs' multi-year RA showing to the Commission;⁶ however, PG&E opposes the proposed mid-August timing of this activity as it relates to the deadline for the RA showing.⁷

In Table 1 below, PG&E is providing its understanding of CalCCA's, the Energy Division's, and PG&E's proposed modifications to the CPE RA timeline (as indicated by the orange shading) in comparison to the CPE RA timeline adopted in Decision 20-06-002 for ease of review. PG&E's comments on specific CPE-related activities are also provided in the corresponding sections below.

⁵ Energy Division Phase 1 Proposals, p. 4 ("The revised timeline would allow for a flexible CPE procurement window that would . . . No longer prescribe that LSEs in SCE and PG&E TAC areas commit to the CPE to show self-procured local resources in the April to May timeframe.").

⁶ Energy Division Phase 1 Proposals, p. 4 ("Preliminary CPE allocations are sent to LSE by Energy Division based on initial load forecast load ratios and CPE procurement filings in late July.").

⁷ Energy Division Phase 1 Proposals, p. 4 ("Mid-August: Preliminary CPE allocations are sent to LSE by Energy Division based on initial load forecast load ratios and CPE procurement filings in late July.").

Table 1 – Comparison of Proposed Modifications to the CPE RA Timeline

| Timeline Activity | As Adopted in Decision 20-06-002 | CalCCA Proposal | Energy Division Proposal | PG&E Proposal |
|---|---|------------------------------|---------------------------------|--------------------------|
| CPE conducts additional all-source solicitation for 2023 | - | February – May | - | - |
| The CAISO files draft and final local capacity requirements (“LCR”) study. Parties file comments on draft and final LCR studies | April – May | April – May | - | April - May |
| LSEs commit to self-show to CPE | April – May | April – May | Removed from timeline | April - May |
| Commission adopts multi-year local requirements | June | June | - | June |
| CPE receives multi-year local allocations | June | June | - | Mid-June |
| CPE completes solicitations for 2023 and submits updated ACR | - | June | - | - |
| LSEs receive initial allocations | July | July | Late July | July |
| CPE and LSEs make local RA showing to Commission | Late September | Late September | Late July | Mid-August |
| LSEs receive preliminary allocations (updated from CPE showing above) | - | - | Mid-August | Late August |
| LSEs receive final allocations | Late September/Early October | Late September/Early October | Mid-September | September |
| LSEs make year-ahead showing to Commission and CAISO | End of October | End of October | End of October | End of October |
| CPE makes year-ahead showing to CAISO | - | - | End of October | End of October |

Note: The (-) represents timing that was not addressed in Decision 20-06-002 or respective Phase 1 Proposals.

1. The Commission Should Reject CalCCA’s Proposed Deadline of June 2022 for CPE Procurement to be Completed

In its Phase 1 Proposals, CalCCA proposed that the CPE complete its procurement from its additional all-source solicitation and explain the results by the beginning of June 2022 and asserted that the timeline must provide sufficient time to allocate the system and flexible RA attributes as

necessary to inform LSEs of their procurement obligations prior to commencing final procurement for 2023 system RA needs.⁸ While PG&E agrees that LSEs should be given sufficient time to receive and incorporate CPE procurement results into their portfolio planning efforts, PG&E disagrees that effectively pushing the timeline up by 3-4 months from late September to June for CPE procurement to be completed is a necessary or reasonable proposal.

The CPEs are required to procure local RA resources through an all-source competitive solicitation process,⁹ which takes time to complete effectively. The all-source competitive solicitation process requires that the CPE evaluate offers against a set of specified criteria ordered in Decision 20-06-002¹⁰ and use the results to adequately ensure the portfolio of resources it procures meets the local capacity area reliability needs as identified in the CAISO's local capacity technical study ("LCTS").¹¹ Furthermore, in this proceeding there are likely significant refinements and modifications that will be made to the CPE framework regarding implementation matters (with particular focus on the self-showing aspect of the hybrid procurement framework), and such significant refinements and modifications will likely materially affect CPE procurement efforts in 2022 for the 2023-2025 RA compliance period. While the competitive solicitation process is focused primarily on the procurement of offered resources for compensation, the portfolio selection criteria may be significantly altered based on any self-showing capacity that LSEs commit to the CPE. Given the need to evaluate the offered resources after taking into consideration the makeup of the self-showing capacity, along with the requirements for review by the CAM procurement review group and independent evaluator ("IE"), the CPEs need sufficient time to be able to execute an effective and thorough process.

Moreover, and as discussed below, the local RA requirements are adopted by the Commission as part of its annual decision in late June of each calendar year and PG&E is aware of at least one

⁸ CalCCA Phase 1 Proposals, pp. 8-9.

⁹ Decision 20-06-002, Finding of Facts 13 and 14, Conclusion of Law 9, Ordering Paragraph 8.

¹⁰ *Id.*, Ordering Paragraph 14.

¹¹ *Id.*, Ordering Paragraph 22.a.

situation in which the Commission adopted local RA requirements that differed from the CAISO's LCTS.¹² Therefore, CalCCA's proposal to move the CPE procurement deadline up to June should be rejected as an asymmetrical compression of the CPEs' procurement timeline. Such an unfair compression of the CPEs' procurement process timeline is untenable and could lead to significant under- or over-procurement by the CPEs.

2. The Commission Should Modify the CPEs' Multi-Year RA Commission Showing Deadline to Mid-August

In its Phase 1 Proposals, the Energy Division similarly proposed to move up the timeline for the CPEs' multi-year RA showing to the Commission from September to late July of each calendar year.¹³ While PG&E is generally supportive of moving up the CPEs' RA showing deadline, PG&E proposed an alternative mid-August deadline within its PG&E New Phase 1 Proposals¹⁴ that it believes strikes a more reasonable balance for the CPE to complete its necessary procurement and also gives LSEs additional time to incorporate the resulting benefits for their portfolio planning needs.

The Energy Division's proposed RA showing deadline of late July would provide only less than four weeks for CPE procurement activities and the multi-year RA showing to be completed after receiving the final total Commission-jurisdictional share of multi-year local RA requirements, which are generally adopted in late June of each calendar year. Based on PG&E's understanding, this is primarily driven by the California Energy Commission's final load forecast that is distributed to the CAISO around June 30 of each calendar year.¹⁵ While the local RA requirements will generally be known from the CAISO's LCTS, the CPEs would not be given the final allocations exacting those requirements, including local CAM adjustments for each local area, until after July 1 of each calendar year. In order to effectively select and execute on offers received in the CPE solicitation, the CPEs need to know the final allocations to make their final procurement decisions. A late July deadline for

¹² Decision 20-06-031, pp. 16-17.

¹³ Energy Division Phase 1 Proposals, p. 4.

¹⁴ PG&E New Phase 1 Proposals, pp. 5-7.

¹⁵ See CAISO's Business Practice Manual for Reliability Requirements Version 63, Exhibit A-4: Local Capacity Process Schedule.

CPE showings to the Commission would leave only an unreasonably short period of time (i.e., after July 1 to late July of each calendar year) to finalize evaluations and transactions and prepare the showing to the Commission.

As mentioned above, unilaterally expediting and unreasonably compressing the time allowed for the CPEs to procure local RA resources by requiring a CPE showing to the Commission in late July of each year seems to be misaligned with the CPEs' goals of meeting local reliability needs and reducing costly backstop procurement, given that the CPE procurement efforts require thorough review and evaluation. Notably, these CPE goals stem from the statutory directives in Section 380 of the California Public Utilities Code, including the directive from the State Legislature for the Commission to authorize the most efficient and equitable means for minimizing the need for backstop procurement by the CAISO (among other things),¹⁶ as well as the Commission's duty to ensure adequate resource availability for grid reliability; thus, any proposal that would thwart achievement of this goal by the CPEs should be rejected.

As a more reasonable and balanced alternative, PG&E proposed a timeline that it believes aligns with the goal that the Energy Division's and CalCCA's proposed timelines seek to achieve.¹⁷ PG&E's more balanced proposed approach would allow both the CPEs and LSEs to meet their respective RA procurement requirements in reasonable time periods. For example, PG&E's proposal affords a similar amount of time for both the CPE and LSEs to complete any necessary procurement within 6 to 8 weeks from receiving allocations to their respective RA filings at the Commission. PG&E's proposed modifications to the CPE RA timeline effectively accelerate the local RA showing to the Commission by both the CPEs and showing LSEs by 6 weeks from late September to mid-August and would provide LSEs approximately 1-1.5 additional months to complete any additional system and flexible RA procurement. PG&E believes this is a reasonable "middle ground" from the

¹⁶ Pub. Utils. Code § 380(h)(7).

¹⁷ PG&E New Phase 1 Proposals, pp. 5-7.

3-4 months of additional time requested by CalCCA and is an equitable alternative to the Energy Division's proposal.

In that same vein, PG&E supports the Energy Division's proposal to include an additional timeline activity that allows LSEs to receive a preliminary update to the system and flexible RA allocations resulting from CPE procurement approximately two weeks following the CPEs' multi-year RA showing.¹⁸ Therefore, the Commission should adopt PG&E's proposed deadline of mid-August for the CPE multi-year RA showing deadline to the Commission as a reasonable and equitable time allotment for both CPE and LSE procurement efforts and provide LSEs their preliminary allocations in late August.

3. PG&E Supports the Energy Division's Goal for Flexibility for CPE Procurement Efforts, but the Commission Should Maintain a Self-Showing Deadline for LSEs to Commit to the CPE

The Energy Division proposed eliminating the prescribed deadline for LSEs to voluntarily show their self-procured local resources to the CPE to add more flexibility for CPE procurement efforts.¹⁹ PG&E generally supports providing more flexibility for CPE procurement efforts but believes procurement flexibility should not come at the expense of procurement efficiency and cost effectiveness. As mentioned above, the CPE must necessarily account for and rely upon the self-showing capacity to make incremental procurement decisions in its competitive solicitation process.²⁰ It would be inefficient and potentially detrimental to customers if the CPE did not have a clear understanding of the self-showing capacity in the CPE's portfolio before making other portfolio decisions. Without a prescribed deadline for self-showing capacity to be committed before or at the same time as the CPE's competitive all-source solicitations, the CPE cannot appropriately evaluate its portfolio or determine the need for incremental procurement to maintain local reliability and reduce costly backstop procurement. Similarly, it is important that LSEs are aware of the timelines required

¹⁸ See Energy Division Phase 1 Proposals, p. 4.

¹⁹ Energy Division Phase 1 Proposals, p. 4.

²⁰ Decision 20-06-002, p. 23 ("Following the accounting of any [self-showing] resources, the CPE would determine what remains to be procured to avoid collective local deficiencies.").

for their voluntary commitments to the CPE to inform their portfolio planning and procurement processes. Therefore, PG&E recommends that the Commission maintain the April – May deadline to ensure that the CPE has adequate information to appropriately evaluate its portfolio prior to making procurement decisions and LSEs have clear guidance regarding the relevant procurement timelines for their portfolio planning purposes.

B. The Commission Should Reject CAISO’s Proposal for a Residual Procurement Framework and Instead Adopt PG&E’s Proposed CAM-Based Approach for Self-Showing LSEs

In its CAISO Phase 1 Proposals, the CAISO proposed that the Commission re-assign the local RA requirements to LSEs that have made a commitment to voluntarily show (also referred to herein as “self-showing”) self-procured local resources to the CPE under the hybrid procurement framework.²¹ The re-assignment of the local RA requirements to each LSE would be commensurate with the monthly amount of capacity being voluntarily shown at the applicable local capacity area.²² CAISO believes its proposal could address concerns expressed by SCE and PG&E as the CPEs about recovering costs incurred from backstop procurement designations under CAISO’s capacity procurement mechanism (“CPM”) due to an *individual* deficiency stemming from non-performance by a self-showing LSE.²³

PG&E appreciates CAISO’s efforts to address the important matter of equitable cost allocation in the event of non-performance by a self-showing LSE; however, while CAISO suggests that “[t]his proposal would not require significant changes to the existing CPE framework,”²⁴ CAISO’s proposal in fact represents a fundamental modification to the adopted hybrid procurement framework that would effectively transform the structure into a residual procurement framework by assigning local

²¹ *Phase 1 Proposals of the California Independent System Operator Corporation*, dated December 23, 2021 (“CAISO Phase 1 Proposals”), p. 4.

²² *Ibid.*

²³ *See id.*, pp. 4-5.

²⁴ CAISO Phase 1 Proposals, p. 4.

RA obligations to LSEs, which is not permitted under the hybrid central procurement framework.²⁵

As a result, in order to be considered by the Commission, CAISO's proposal would need to address and resolve all of the known challenges identified in Decision 19-02-022 related to the residual framework that parties were unable to address or resolve during over two years of litigation in Rulemaking 17-09-020 or Rulemaking 19-11-009. As stated in Decision 20-06-002:

The Commission is not persuaded that a residual procurement proposal can address all of the known challenges identified in D.19-02-022. A residual framework creates administrative complexities in that the CPE must track and account for individual LSE procurement and cost responsibility. The Commission believes that when LSEs procure on an individual basis, they are likely to procure the resource that best meets their individual objectives (e.g., lower cost, or local benefits such as providing jobs) rather than the most effective resource for overall grid reliability, which can lead to collective deficiencies and inequitable cost allocation to other LSEs (and their customers).

On the other hand, a full or hybrid procurement framework allows the CPE to secure a portfolio of the most effective local resources, mitigating the need for costly backstop procurement in certain local areas. These approaches also allow the CPE to adapt to load uncertainty and migration by allocating local RA costs equitably to all benefiting end-use customers based on actual load. A full or hybrid model ensures that sufficient capacity is procured to meet local needs over a multi-year duration, reducing the likelihood that strategically located local resources will seek retirement. Lastly, under either model, local procurement can be coordinated by the CPE with the state's environmental goals and preferred resource procurement mandates in mind. . . .

Considering the extensive record in this proceeding, the Commission finds that the hybrid procurement model strikes an appropriate, reasonable balance between the residual and full procurement models, and best addresses the known challenges identified in D.19-02-022. The hybrid approach allows a CPE to secure a portfolio of the most effective local resources, use its purchasing power in constrained local areas, mitigate the need for costly backstop procurement in certain local areas, and ensure a least cost solution for customers and equitable cost allocation. The hybrid approach also allows individual LSEs to voluntarily procure local resources to meet their system

²⁵ Decision 20-06-002, Ordering Paragraph 3 ("Load serving entities in PG&E's and SCE's distribution service areas will no longer receive a local allocation beginning for the 2023 Resource Adequacy compliance year."); *see also* pp. 22 ("Under full procurement, a CPE procures the entire amount of required local RA on behalf of all LSEs, and LSEs no longer receive individual local requirements.") and 23 ("A hybrid procurement model is similar to full procurement while giving LSEs an additional opportunity to procure their own local resources. . . . by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. Instead, the LSE's local procurement reduces the total CPE procurement costs that will be shared by all LSEs, while retaining the ability to use the shown local resource for its own system and flexible needs.") (citations omitted).

and flexible RA requirements and count them towards the collective local RA requirements, providing LSEs flexibility and autonomy to procure local resources. By allocating costs directly to end customers, inequitable cost allocation and load migration issues are addressed since all customers pay equitably for the cost of local reliability regardless of which LSE serves them.²⁶

Because the CAISO Phase 1 Proposals do not address all of the known challenges identified in Decision 19-02-022 related to the residual framework, and the Commission has already adopted the hybrid procurement structure as the most efficient and equitable means for achieving all of the objectives outlined in Section 380(h) of the California Public Utilities Code, CAISO's proposal on this matter is fraught with additional challenges that are in PG&E's view unresolvable in the near term (or perhaps ever).

Moreover, even if CAISO's proposal was viable, while it could address the issue of equitable cost recovery due to an *individual* deficiency stemming from non-performance by a self-showing LSE, it is unclear whether it will resolve the identified issue of LSE participation in the CPE solicitation process. In fact, LSEs may still choose to "do nothing" with their self-procured local resource and, thus, avoid any re-assignment of the local RA requirements while still maintaining the ability to use the self-procured resource towards their system and flexible RA requirements.²⁷ Because self-shown resources are the foundation from which the CPE procures additional capacity, this could create a situation in which the CPE will not have visibility into which local resources will be utilized by LSEs to meet their system or flexible RA needs, thereby alleviating local RA needs as well. Such an outcome could result in the CPE undertaking local procurement that could have otherwise been mitigated had LSEs appropriately self-shown those resources to the CPE.

Instead of considering CAISO's proposal, PG&E recommends that the Commission adopt its CAM-based approach for self-showing LSEs, as it appropriately: (1) addresses the issue of CPM cost

²⁶ Decision 20-06-002, pp. 25-26.

²⁷ See Decision 20-06-002, Ordering Paragraph 4(a) (stating that if an LSE's procured resource also meets a local RA need, the LSE may choose to "...elect not to show or bid the resource to the CPE and only use the resource to meet its own system and flexible RA needs.").

recovery by authorizing the Commission, in consultation with the CPE, to inform the CAISO as to which LSE the CPM costs should be allocated due to an *individual* deficiency stemming from non-performance by a self-showing LSE, (2) establishes an enforcement mechanism to ensure performance of self-showing LSEs by adjusting CAM credits as applicable, (3) mitigates the issue of LSE participation by eliminating the contractual agreement between the LSE and CPE, and (4) maintains the fundamental structure of the hybrid procurement framework.²⁸

While adoption of PG&E's CAM-based approach for self-showing LSEs would go a long way to improve the CPE structure and process, PG&E continues to have significant concerns regarding the level of participation by LSEs and suppliers in its first CPE procurement process based on its experience, market feedback received, and additional analysis provided in Appendix A hereto. When compared to SCE's service territory, PG&E's local capacity market is highly constrained, which means that non-participation by a small number of LSEs or suppliers can have a significant impact on the ability of the CPE to effectively procure. As described in Appendix A hereto, on a monthly average basis from May to October 2023, 70 percent of the "available" local RA capacity participated in PG&E's first CPE solicitation process for the 2023 RA compliance year while a minimum of 85 percent of the "available" local RA capacity is needed to meet the local RA requirements allocated to PG&E as the CPE. Notably, August and September 2023 experienced a 69 percent and 63 percent participation rate with a minimum of 84 percent and 88 percent needed. Accordingly, PG&E recommends a slight adjustment to SCE's proposal for an LSE that does not self-show or offer local resources to the CPE for a given year to file a justification statement with the LSE's annual RA filing to the Commission. PG&E recommends that the Commission require each LSE to describe in its annual RA filing in the "Additional Local" tab why that LSE did not self-show or offer each local resource in its portfolios to the CPE.²⁹ While PG&E as the CPE has been afforded some insight into

²⁸ *Initial Phase 1 Proposals of Pacific Gas and Electric Company (U 39 E) Regarding Central Procurement Entity Structure and Process*, dated December 13, 2021 ("PG&E Initial Phase 1 Proposals"), pp. 2-8; *Phase 1 Proposals of Southern California Edison Company (U 338-E)*, dated December 13, 2021 ("SCE Phase 1 Proposals"), pp. 2-3.

²⁹ SCE Phase 1 Proposals, pp. 4-5.

the issue of LSE participation based on its experience and market feedback, PG&E's insight is limited. PG&E agrees with SCE that a statement from LSEs explaining their lack of participation in the CPE solicitation process on a resource-specific level is important so that the Commission can understand why local resources are not being offered or self-shown by LSEs and potentially make further adjustments to the CPE process and structure if needed.³⁰ PG&E also agrees with SCE that the statement should not be used as an enforcement or compliance mechanism but to improve the CPE structure and process.

While PG&E supports SCE's proposal, with modifications, PG&E notes that the lack of participation in the CPE process is not necessarily due to LSEs' decisions not to self-show or offer resources; for this reason, PG&E also supports an Energy Division report, as outlined in Section D below, that looks at participation levels and potential barriers to participation from both the LSE and supplier perspectives.

C. The Commission Should Reject Requests for Additional CPE Public Reporting Requirements Associated with Confidential Information

In connection with the ACRs submitted by SCE and PG&E in their capacities as the designated CPEs for their respective service territories, WPTF and MRP proposed that each CPE make publicly available information concerning its CPE procurement activities, including a list of reasons that the CPE and/or the respective market participant(s) could not execute any contractual agreements for the CPE to either procure local RA resources or for LSEs to commit to voluntarily showing its self-procured local RA resources.³¹ In addition, WPTF and MRP proposed that the CPE provide a public listing of all resources within the CPE's local RA portfolio, the resource's corresponding megawatts, and the type of entity that "controls" the resource.³² WPTF suggested that this public disclosure is necessary for parties to "better identify any problems with the current CPE

³⁰ SCE Phase 1 Proposals, pp. 4-5.

³¹ See *Western Power Tracing Forum Phase 1 Proposals*, dated December 23, 2021 ("WPTF Phase 1 Proposals"), pp. 4-5; *Middle River Power LLC Phase 1 Proposals*, dated December 23, 2021 ("MRP Phase 1 Proposals"), pp. 6-7.

³² See *id.*

framework and formulate well-informed proposals.”³³ MRP stated that the confidential information must be provided publicly “[t]o provide parties and the Commission with a meaningful opportunity to understand what occurs annually with respect to the CPE procurement” because otherwise this would be “[a] regulatory process that relies on speculation.”³⁴ Similarly, CalCCA suggested that the Commission require the CPEs to file an updated ACR with significantly expanded public reporting requirements.³⁵ CalCCA claimed that “[r]equiring greater transparency around CPE procurement efforts would provide LSEs, the CAISO, and other stakeholders the ability to assess and understand how the current CPE structure is functioning.”³⁶ PG&E opposes these additional public reporting requirements related to the ACR for a number of reasons, including that public disclosure of the requested confidential information (1) is unnecessary given the existing established processes for review of confidential information by stakeholders and (2) could detrimentally impact the CPE process.

As explained by PG&E multiple times already in the record of this proceeding, it is imperative to provide confidential treatment for market sensitive information in the CPE’s possession to protect parties that transact with the CPE, LSEs on behalf of which the CPE procures local RA, and California’s ratepayers.³⁷ Neither WPTF, MRP, nor CalCCA have explained why their proposals for public disclosure of CPE confidential information are required to meet their stated objectives (quoted above) given the existing established processes for stakeholders to review confidential information. In fact, no party has asserted that the existing established processes are inadequate to allow parties to

³³ WPTF Phase 1 Proposals, p. 4.

³⁴ See MRP Phase 1 Proposals, p. 6.

³⁵ CalCCA Phase 1 Proposals, pp. 9, 11, 12.

³⁶ CalCCA Phase 1 Proposals, p. 13.

³⁷ E.g., PG&E Initial Phase 1 Proposals, p. 20 (“Disclosure of market sensitive information in the CPE’s possession could be detrimental to not only parties on behalf of whom the CPE procures, including California’s ratepayers, but also the parties that transact with the CPE. Most notably, disclosure of specific information such as the CPE’s portfolio positions, bid data, evaluation results and contract details, including pricing and contract terms, could impact the bidding behavior of market participants in future CPE solicitations and drive up the costs of CPE procurement, ultimately harming California’s ratepayers. Furthermore, disclosure of such information could also reveal market sensitive information about the parties that bid into the CPE’s solicitations and/or executed a contract with the CPE.”).

identify any problems with the current CPE framework and formulate well-informed proposals, avoid speculation, and assess the current CPE structure. Much of the confidential information solicited by these parties has already been made available by PG&E as the CPE within its ACR (including in the IE report attached to the advice letter), and there are established processes by which non-market participants and non-market participant reviewing representatives designated by market-participant parties can review the ACR in its entirety upon request and execution of a non-disclosure agreement.

Accordingly, the Commission should reject proposals for unnecessary increased public reporting and should encourage parties to avail themselves of existing mechanisms for accessing the information in question. Importantly, these existing processes are well-developed and have been successfully used in order to protect the interests of all customers and prevent entities from gaining and exercising market power. This is especially true in the PG&E service territory where the Commission has established a comprehensive record and acknowledgement of market power for local RA resources.³⁸

D. The Commission Should Maintain the Current Schedule for Phase 1 in the RA Proceeding and Prepare a Report After the 2022 CPE Compliance Filing for 2023-2025

In its Phase 1 Proposals, WPTF and MRP proposed that the Commission prepare a report on CPE procurement activities as early as February 2022 and amend the scope of this proceeding to allow for an extended Phase 1B.³⁹ PG&E does not oppose extending Phase 1 of the implementation track of this proceeding to allow for consideration of additional CPE-related items but cautions that delays in addressing critical modifications to the CPE structure and process may only serve to maintain low procurement levels experienced in the first CPE solicitation process. Parties, including PG&E and SCE, are currently proposing extensive modifications to the CPE framework to encourage LSEs' participation based on their experiences and market feedback received during the December 14, 2021, workshop that may preempt the need for additional modifications. While PG&E has been afforded

³⁸ See Decision 06-06-064, pp. 35-38; Decision 20-06-031, p. 68.

³⁹ MRP Phase 1 Proposals, pp. 4-5, 7-8; WPTF Phase 1 Proposals, pp. 4-5.

some insight into the “lack of participation and lack of interest in contracting,” PG&E’s insight is limited to the entities (both suppliers and LSEs) that either participated in the CPE solicitation process or completed PG&E’s market feedback survey.⁴⁰ Like WPTF and MRP, PG&E is highly concerned about the lack of participation especially under the tight local RA market conditions within its service territory and is providing additional confidential information in Appendix A.

To that end, PG&E believes a report prepared by the Energy Division after the CPE has filed its compliance showing for the 2023-2025 local RA compliance year and addressing not only the CPE procurement activities but also CPE participation levels by LSEs and suppliers will prove more useful, especially given the inter-play with the year-ahead compliance showing for system and flexible RA requirements. The objective of this report should be to assess whether the CPE structure is functioning and, if not, to identify barriers or design issues to inform enhancements to the CPE structure. For example, barriers that reduce LSE participation in the CPE process may be different than those faced by suppliers. Once a report has been prepared by the Energy Division, the Commission will be better positioned to determine the next course of action in the RA proceeding to consider additional CPE-related items, if any.

E. The Commission Should Not Adopt AReM’s Proposed LSE Waiver Process for System and Flexible RA Requirements

In its Phase 1 Proposals, the AReM proposed a waiver process for LSEs that are deficient in their system RA requirements.⁴¹ Specifically, AReM proposed that: (1) the CPE calculate what the expected system RA credit would be for each LSE if the CAISO exercises its backstop procurement

⁴⁰ For example, Calpine Corporation suggested several possible reasons for the lack of participation (e.g., gas-fired generation is ineligible for the local capacity requirements reduction compensation mechanism; LSEs do not have access to detailed unit operating characteristic information; contracting term limits were more stringent than those required under Decision 20-06-002). *Initial Phase 1 Proposals of Calpine Corporation*, dated December 13, 2021; see also *Calpine Corporation’s Protest to PG&E Advice Letter 6386-E (CPE Annual Compliance Report)*, dated November 22, 2021.

⁴¹ *Proposals of the Alliance for Retail Energy Markets to Address Issues Regarding the Central Procurement Entity*, dated December 13, 2021 (“AReM Phase 1 Proposals”), p. 4. Similarly, CalCCA proposed that the Commission consider waiving system and flexible RA penalties for LSEs whose procurement was impacted by CPE procurement shortfalls. CalCCA Phase 1 Proposal, p. 14.

authority up to the level of the CPE's local RA open position and (2) LSEs that are deficient in their year-ahead system RA showing by an amount equal to or less than the expected system RA credit would receive a waiver of RA penalties from the Commission.⁴² PG&E opposes AReM's proposal to adopt an LSE waiver process for system and flexible RA requirements.

As outlined above, PG&E has significant concerns on the level of participation by LSEs and suppliers within its first CPE solicitation process. While PG&E has proposed modifications to the CPE framework to encourage LSEs' participation based on its experiences and feedback received during the December 14, 2021, workshop and believes these modifications will address some of the LSEs' participation issues experienced, PG&E's insight into the "lack of participation and lack of interest in contracting" remains limited. Moreover, PG&E believes that AReM's proposal is likely to increase the lack of participation and present gaming opportunities for market participants. To demonstrate, LSEs may elect not to participate in the CPE solicitation process and, thus, would not commit to voluntarily show an aggregated amount of 3,000 MWs of local resources to the CPE. This could result in a CPE procurement shortfall (or open position) of up to 3,000 MWs. AReM's proposed waiver process would effectively establish the aggregated amount of 3,000 MWs as the RA waiver amount for the Commission. LSEs could then forego their system RA obligation, which would compromise the tenet of the RA program. Accordingly, PG&E recommends that the Commission reject the proposed waiver process for system and flexible RA requirements.

III. CONCLUSION

PG&E appreciates the opportunity to submit its opening comments on Phase 1 Proposals and urges the Commission to adopt its Phase 1 proposals in the PG&E Initial Phase 1 Proposals and the PG&E New Phase 1 Proposals, as well as its recommendations herein.

⁴² AReM Phase 1 Proposals, p. 4.

Respectfully submitted,
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Dated: January 4, 2022

APPENDIX A
To

**OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON PHASE 1
PROPOSALS AND WORKSHOP REGARDING CENTRAL PROCUREMENT ENTITY
STRUCTURE AND PROCESS**

[Attached]

**[CONFIDENTIAL MATERIAL WILL BE PROVIDED TO THE DOCKET OFFICE TO BE
FILED UNDER SEAL]**

Appendix A: Additional Analysis on Participation into PG&E's CPE Solicitation Process

I. Introduction

While PG&E as the CPE has been afforded some insight into the “lack of participation and lack of interest in contracting,” PG&E’s insight as the CPE is limited to the entities (both suppliers and LSEs) that either participated in the solicitation process, completed the market feedback survey, or provided feedback during the December 14, 2021 workshop. PG&E as the CPE is concerned about the lack of participation especially under the tight local RA market conditions within its service territory and is providing additional analysis and confidential information in this Appendix A to support parties and the Commission in developing changes to the CPE structure that improve outcomes.

This analysis is meant to provide (a) a better understanding of the market supply conditions in PG&E’s local areas and (b) insight as to which entities or types of entities and which resources did not participate in the CPE solicitation process.

II. Overview of PG&E’s Local RA Capacity Market

On December 21, 2021, PG&E as the CPE submitted its response to the Motion for Extension of Time of the Joint Movants. Within its response, PG&E as the CPE provided aggregate offer-related information associated with the CPE’s inaugural solicitation to meet the local RA requirements for the 2023-2024 compliance years. For purposes of this additional analysis, PG&E as the CPE is focused on the months of May to October 2023.

a. Local RA Requirements

PG&E’s local RA requirements as the CPE are based on the results of CAISO’s local capacity technical study and load share ratio of Commission-jurisdictional LSEs within PG&E’s service territory. For 2023, the aggregate local RA requirements are 12,711 MWs (line A) with:¹

- Humboldt: 115 MWs
- North Coast / North Bay: 834 MWs
- Sierra: 1,338 MWs
- Stockton: 562 MWs
- Greater Bay Area: 7,418 MWs
- Fresno: 2,069 MWs
- Kern: 375 MWs

¹ See CAISO’s 2022 Local Capacity Technical Study at <http://www.caiso.com/InitiativeDocuments/Final2022LocalCapacityTechnicalReport.pdf>.

Given that PG&E as the CPE was allocated 11,335 MWs of local RA requirements (line B), it can be concluded that 1,376 MWs of local RA requirements (approximately 10.8 percent) were allocated to non-Commission-jurisdictional LSEs (line C).

| Line | Description | May | Jun | Jul | Aug | Sep | Oct |
|------|--|--------|--------|--------|--------|--------|--------|
| A | Total Local RAR (CAISO) | 12,711 | 12,711 | 12,711 | 12,711 | 12,711 | 12,711 |
| B | Total Local RAR (CPUC w/o CAM Adjustment) | 11,335 | 11,335 | 11,335 | 11,335 | 11,335 | 11,335 |
| C | Total Local RAR (Non-CPUC) | 1,376 | 1,376 | 1,376 | 1,376 | 1,376 | 1,376 |

b. “Available” Local RA Capacity

Within PG&E’s service territory, there is approximately 14,000 MWs of local RA capacity (line D) to meet the aggregate local RA requirements.² However, given that the local RA requirements are allocated amongst both non-Commission-jurisdictional LSEs and the CPE, it can be concluded that some portion of the “available” local RA capacity will be used by non-Commission jurisdictional LSEs. For purposes of this additional analysis, PG&E as the CPE is assuming that an additional 5 percent of local RA capacity is being reserved by these LSEs to account for substitution requirements related to planned and/or forced outages (line E). In other words, line E is equal to the local RA requirements of 1,376 MWs plus 68.8 MWs (or 5 percent) of local RA capacity for substitution purposes. The remaining local RA capacity (line F) is assumed to be “available” for PG&E as the CPE.

| Line | Description | May | Jun | Jul | Aug | Sep | Oct |
|------|---|--------|--------|--------|--------|--------|--------|
| D | Total Local RA Capacity (CAISO) | 14,133 | 14,564 | 14,663 | 14,348 | 13,766 | 13,210 |
| E | Total Local RA Capacity (Non-CPUC) | 1,445 | 1,445 | 1,445 | 1,445 | 1,445 | 1,445 |
| F | Total Local RA Capacity (CPUC) | 12,688 | 13,119 | 13,218 | 12,903 | 12,321 | 11,765 |

c. Participation Rate

In its response to the Motion for Extension of Time of the Joint Movants, PG&E as the CPE provided aggregate offer-related information on the volumes of self-shown, offered and CAM-based local RA capacity (line G). On a monthly average basis for the months of May to October 2023, 70 percent of the “available” local RA capacity (line H) participated in PG&E’s first CPE solicitation process while a minimum of 85 percent of the “available” local RA capacity (line I) is needed to meet the local RA requirements allocated to PG&E as the CPE. Notably, August and September 2023 experienced a 69 percent and 63 percent participation rate with a minimum of 84 percent and 88 percent being needed. This represents a shortfall of 15 percent and 24 percent (line J), respectively. Moreover, it is clear from publicly available information that PG&E’s local capacity market is highly constrained as compared to SCE’s local capacity market; thus, opening the opportunity for market participants to exercise market power and place downward pressure on the participation rate.

² See CAISO’s 2022 Net Qualifying Capacity List at <http://www.caiso.com/Documents/Final-Net-Qualifying-Capacity-Report-for-Compliance-Year-2022.xls>.

| Line | Description | May | Jun | Jul | Aug | Sep | Oct |
|------|--|-------|-------|-------|-------|-------|-------|
| G | Total Offered into the CPE Process | 8,939 | 9,753 | 9,685 | 8,917 | 7,813 | 8,791 |
| H | Participation Rate into CPE Process | 70.5% | 74.3% | 73.3% | 69.1% | 63.4% | 74.7% |
| I | Participation Rate Required to Meet LRAR | 85.5% | 82.7% | 82.1% | 84.1% | 88.1% | 92.2% |
| J | Participation Shortfall | 15.0% | 8.3% | 8.8% | 15.0% | 24.7% | 17.5% |

III. Overview of LSE and Supplier Participation in PG&E as the CPE's Solicitation Process

Within the PG&E service territory, there are approximately 24 LSEs and [REDACTED] LSEs participated in PG&E as the CPE's solicitation process, represented by [REDACTED].

a. [REDACTED]

While PG&E as the CPE does not know if any of the non-participating LSEs have local RA under contract that it did not self-show or offer to the CPE, PG&E as the CPE was surprised that [REDACTED] of the 24 LSEs in its service territory did not participate in PG&E as the CPE's solicitation process.

b. List of Resources Not Offered or Self-Shown to the CPE

Given the Commission’s recent analysis and reliance on such analysis to order additional procurement in Rulemaking 20-05-003, PG&E as the CPE believes that it is reasonable to conclude that some of the local capacity not self-shown or offered to the CPE is under contract to LSEs to meet forward system RA requirements. PG&E as the CPE is providing a list of resources that were not offered or self-shown to PG&E as the CPE in its solicitation process as it is unclear on the capacity and number of local resources that are under contract with LSEs to meet system RA requirements. A better understanding of which resources on this list are or are not under contract to LSEs would inform decision-making about the types of changes to the CPE structure that would be most beneficial.

| Resource ID | Generator Name | Local Area |
|-------------|----------------|------------|
| | | |



